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SUBJECT: RUSSIA INTERESTED IN LIBYA'S ECONOMIC POTENTIAL

Classified By: Ambassador William J. Burns for reasons 1.4 (b/d).

¶1. (C) Summary: Foreign Minister Lavrov's recent visit to Libya is part of a concerted GOR effort to improve relations with Tripoli and win contracts as Libya develops economically. The GOR is particularly interested in Libyan hydrocarbon resources, infrastructure projects, and possible construction of a nuclear power plant. The GOR recognizes that despite long-standing ties to Libya, Russia must compete with Europe and the U.S. for Libyan business. Lavrov also discussed Libya's seat on the UNSC, where, the GOR is confident, Libya will support the Russian position on international issues. The MFA does not rule out a Putin visit before he leaves the Presidency in May. End summary.

¶2. (C) FM Lavrov cast his December 23-24 trip to Libya to the Ambassador as providing the necessary high-level intervention to cut through the opaque Libyan bureaucracy and invigorate efforts to lay the foundation of a visit by President Putin. According to MFA Second Secretary Maxim Ganzey, Lavrov signed agreements intended to further bilateral trade and economic cooperation, a Russian priority. The GOR and Russian business hope to tap into Libya's \$80 billion government spending program intended to use oil revenue to improve infrastructure and economic conditions. Among the possible projects Lavrov discussed with Libyan officials were oil and gas exploration and development, electric power plants, housing construction, and nuclear power. Representatives of Rosatom accompanied Lavrov and gave a presentation on construction of a nuclear plant for Libyan officials, according to Ganzey. Lavrov was also accompanied by representatives of Russian Railways, who hope to land a contract in Libya. Ganzey explained that Russian Railways intended overseas projects to be a significant element of its business activity, and pointed to the announcement on January 21 that this Russian government agency had won a \$800 million contract to construct a 323-mile rail line in Saudi Arabia.

¶3. (C) The groundwork for Lavrov's visit was laid by Russian and Libyan government and business representatives working under the auspices of the joint Business Council, which had outlined an array of large-scale Libyan projects in which Russia might take part. Russia believed its long-standing ties to Libya put it in good stead to win Libyan business, but understood it would need to compete against American and European companies. Ganzey noted that the Europeans, especially the French, have been quick to establish business relations with Libya following the removal of international sanctions against the Qadhafi regime.

¶4. (C) Russian businesses have not received any special treatment from Libyan authorities, according to Ganzey. Russian firms Gazprom and Tatneft have won the right to develop Libyan gas and oil fields, but have failed to win all the contracts they sought. Lukoil also hoped to become more active in Libya. Ganzey commented that the continuing detainment of Aleksander Tsygankov, Lukoil's Tripoli representative, for possible industrial espionage is a

"strange" situation. Tsygankov has been held in detention since November 2007, but never formerly charged. The matter was discussed during Lavrov's visit and would hopefully be resolved shortly.

¶5. (C) Russian interest in Libya also stems from the country's increasing diplomatic activity and membership on the UNSC. While it is too early to predict the role Libya would play on the UNSC, the GOR appears confident Libya would support its position on international issues, including the Iranian nuclear program. Libya had become more active in African diplomacy, which Ganzey attributed, in part, to increasing confidence that coincided with rising oil and gas revenues.

¶6. (C) Comment: The Russians find the Libyans frustrating partners, but see significant contracts at the end of these difficult diplomatic exchanges. While the GOR and Russian press declared Putin's January 17-18 visit to Bulgaria his last as President, MFA Middle East and North Africa Director Vershinin did not rule out a Tripoli visit.

¶7. (U) Minimized Considered.

BURNS